

**inspiredspaces Durham Limited**

**Directors' report and financial  
statements**

Registered number 06844166

For the year ended 31 December 2011

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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2011

### Principal activities

The company's principal activities are the provision of construction, information, communication and technology (ICT), project development and partnering services within the education sector in accordance with the terms of an agreement with Durham County Council. The contracts associated with this agreement were entered into on 14 August 2009.

### Business review

The profit and loss account is set out on page 6 and relates to operating activities during the period. The directors do not recommend the payment of a dividend (2010 £Nil).

The directors consider the performance of the company during the year, the financial position at the end of the year and its prospects for the future to be satisfactory.

The directors are aware of the announcement in the House of Commons on 5 July 2010 by Michael Gove, Secretary of State for Education, regarding the suspension of BSF funding and the establishment of a panel to review capital investment across the education sector. Since this announcement Durham County Council and the company have worked closely to successfully secure funding for the wave 3 schemes at St Bede's, Wellfield, Dene and Glendene Schools, with additional funding being approved for North Durham Academy (Stanley) and Consett Academy. These schemes have been subject to additional funding challenges, but they have ensured a pipeline of work to the end of 2012. The company continues to seek other opportunities to deliver education capital projects, under its exclusivity agreement with the Local Authority, along with facilities management and asset management services.

### Directors

The directors who served during the period and subsequently were

MR Bonsall	(resigned 1 July 2011)
JN Bridge	(appointed 14 March 2011)
BM Cashin	(resigned 11 August 2011)
GE Hanson	
RD Holt	
DEJ Shirer	
C Shutt	
A Waddington	(appointed 6 September 2011)

### Principal risks and uncertainties

The majority of the company's commercial risks are mitigated through sub-contracts to our key delivery partners in construction and ICT, these partners include Carillion Construction Limited.

### Supplier payment policies

It is company policy to comply with suppliers' agreed terms and conditions. At 31 December 2011, the number of creditor days was 7 days (2010 30 days). Creditor days have been calculated based on trade creditors as at the balance sheet date compared to associated costs.

### Environment

inspiredspaces Durham Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and seeks policies to mitigate any adverse impact that might be caused by its activities.

## Directors' report *(continued)*

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will therefore continue in office

Approved by the board on 26 July 2012 and signed on its behalf by



**J Bridge**  
Director

24 Birch Street  
Wolverhampton  
WV1 4HY

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP  
One Snowhill  
Snow Hill Queensway  
Birmingham  
B4 6GH

## **Independent auditor's report to the members of inspiredspaces Durham Limited**

We have audited the financial statements of inspiredspaces Durham Limited for the year ended 31 December 2011 set out on pages 6 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

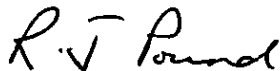
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of inspiredspaces Durham Limited**  
*(continued)*

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



RJ Pound (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*

1<sup>st</sup> August 2012

**Profit and loss account**  
*for the year to 31 December 2011*

	<i>Note</i>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>
Turnover	2	1,266	1,042
Other operating charges		(1,258)	(1,043)
<b>Operating profit/(loss)</b>		<b>8</b>	<b>(1)</b>
Net interest payable and similar charges	3	-	-
<b>Profit/(loss) on ordinary activities before taxation</b>	4	<b>8</b>	<b>(1)</b>
Tax on profit/(loss) on ordinary activities	6	(2)	-
<b>Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year</b>	11	<b>6</b>	<b>(1)</b>

The results reported above derive from continuing operations in a single class of business within the United Kingdom

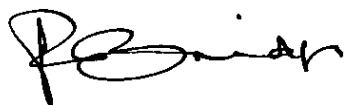
There is no material difference between the result as disclosed in the profit and loss account above and its historical cost equivalent

There were no recognised gains and losses other than the results for the current year and preceding period reported above

**Balance sheet**  
 at 31 December 2011

	<i>Note</i>	<b>2011</b> <b>£000</b>	<b>£000</b>	<b>2010</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Investments	7		1		1
<b>Current assets</b>					
Debtors amounts due within one year	8	241		66	
Cash		244		675	
		<u>485</u>		<u>741</u>	
<b>Creditors</b> Amounts falling due within one year	9	(470)		(732)	
<b>Net current assets</b>			<u>15</u>		<u>9</u>
<b>Total assets less liabilities</b>			<u>16</u>		<u>10</u>
<b>Debtors</b> amounts falling due after more than one year	8		579		-
<b>Creditors</b> amounts falling due after more than one year	9		(579)		-
<b>Net assets</b>			<u>16</u>		<u>10</u>
<b>Capital and reserves</b>					
Called up share capital	10		10		10
Profit and loss account	11		6		-
<b>Equity shareholders' funds</b>			<u>16</u>		<u>10</u>

These financial statements were approved by the board of directors on 26 July 2012 and were signed on its behalf by



**J Bridge**  
 Director

Company registered number 06844166

## Notes

(forming part of the financial statements)

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards

#### *Going concern*

The financial statements have been prepared on a going concern basis which assumes the company will continue in operational existence for the foreseeable future

The directors have reviewed the company's cash flow forecasts and profit projections. The forecasts demonstrate that the company expects to operate within their banking facilities and meet its liabilities for at least 12 months from the date of signing these accounts. The directors therefore believe it is appropriate for the financial statements to be prepared on a going concern basis.

#### *Cash flow statement*

In accordance with FRS1 (revised) "Cash flow statements", the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a small company.

#### *Turnover*

In accordance with FRS5 application Note (G) turnover represents the net income from the provision of project development and partnering services and is recognised on delivery of the service.

#### *Taxation*

The charge for taxation is based on the result for each year and takes into account deferred taxation, calculated in accordance with the requirements of FRS19 "Deferred taxation". Deferred tax assets or liabilities are calculated on a non-discounted full provision basis in respect of timing differences that are expected to reverse in future years.

#### *Investments*

Fixed asset investments are stated at cost less any permanent diminution in the carrying value of the investment.

### 2 Turnover

Turnover represents the value of work done and excludes value added tax.

The company's sole business is that described in the Directors' report and all turnover is derived in the United Kingdom.

### 3 Net interest payable and similar charges

	2011 £000	2010 £000
<i>Interest payable and similar charges</i>		
Interest on shareholder loans	(34)	-
<i>Interest receivable and similar income</i>		
Interest received on loan to participating interests	34	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

## Notes (continued)

### 4 Profit/(loss) on ordinary activities before taxation

	2011 £000	2010 £000
<i>Profit/(loss) on ordinary activities is stated after charging</i>		
<i>Auditor's remuneration</i>		
Audit of these financial statements	10	10

### 5 Directors' remuneration, staff numbers and costs

There were no employees during the year (2010 none)

The directors have no contract of service with the company (2010 no contract of service) Amounts paid to third parties in respect of directors' services were £15,000 (2010 £12,000)

### 6 Tax on profit/(loss) on ordinary activities

#### (a) Analysis of taxation charge for the period

	2011 £000	2010 £000
<i>UK corporation tax</i>		
Current tax	2	-
Tax on profit/(loss) on ordinary activities	2	-

#### (b) Factors affecting the charge for the period

The current tax charge for the year is equal to (2010 equal to) the standard rate of corporation tax in the UK of 26.5% (2010 28%)

#### (c) Factors that may affect future current and total tax charges

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the company's future tax charge.

### 7 Investments

	Shares in participating interest £000
<i>Cost</i>	
At beginning and end of year	1

Shares in participating interest represent a holding of 10% of the ordinary share capital of inspiredspaces Durham (Holdings 1) Limited. The company is incorporated in Great Britain and its activities are the design, build, maintenance and operation of schools in the Durham area.

## Notes (continued)

### 8 Debtors

	2011 £000	2010 £000
<i>Amounts falling due in less than one year</i>		
Trade debtors	203	36
Amounts due from participating interest	34	-
Prepayments and accrued income	4	30
	<u>241</u>	<u>66</u>
<i>Amounts falling due after more than one year</i>		
Amounts due from participating interest	579	-
	<u>579</u>	<u>-</u>

The company has subscribed to £579,000 of loan stock on 27 June 2011 in the entity in which it has taken an interest. The loan carries interest at 11.75% and is repayable in instalments until 30 September 2034.

### 9 Creditors

	2011 £000	2010 £000
<i>Amounts falling due in less than one year</i>		
Trade creditors	182	571
Corporation tax	2	1
Amount due to shareholders	34	-
Accruals and deferred income	252	160
	<u>470</u>	<u>732</u>
<i>Amounts falling due in more than one year</i>		
Amount due to shareholders	579	-
	<u>579</u>	<u>-</u>

The shareholders of inspiredspaces Durham Limited have subscribed to £579,000 of loan stock of the company on 27 June 2011 in proportion to their shareholdings. The loan carries interest at 11.75% and is repayable in instalments until 30 September 2034.

### 10 Share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
1,000 A ordinary shares of £1 each	1	1
1,000 B ordinary shares of £1 each	1	1
8,000 C ordinary shares of £1 each	8	8
	<u>10</u>	<u>10</u>

The A ordinary shares, B ordinary shares and C ordinary shares of £1 each rank pari passu in all respects.

## Notes (continued)

### 11 Profit and loss account

	£000
At beginning of year	-
Profit for the financial year	6
	<hr/>
At end of year	6
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### 12 Reconciliation of movements in equity shareholders' funds

	2011 £000	2010 £000
Opening shareholders' funds	10	11
Profit/(loss) for the financial year	6	(1)
	<hr/>	<hr/>
Closing shareholders' funds	16	10
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### 13 Related party transactions

During the year, administrative, construction, financial and technical services amounting to £20,848,020 (2010 £20,425,892) were provided to the company by companies related to Carillion Plc, a related party by virtue of its indirect interest in the company

During the year, the company received invoices of £207,984 (2010 £113,185) in respect of insurance services from companies in the Carillion Plc group, a related party by virtue of its indirect interest in the company

As at 31 December 2011, £217,169 (2010 £441,964) was owed to parties related to Carillion Plc subsidiaries, in relation to the services described above

During the year, the company received £839,000 (2010 £160,612) in respect of administrative services provided to companies in the Carillion plc group, a related party, by virtue of its indirect interest in the company

As at 31 December 2011, £182,007 (2010 £34,345) was owed by Carillion Plc subsidiaries in relation to services described above

During the year, the company received invoices of £45,355 (2010 £48,305) in respect of services provided by Durham County Council

During the year, the company received £20,299,292 (2010 £10,354,676) in respect of construction, financial and technical services, provided to Durham County Council, a related party by virtue of its interest in the company

As at 31 December 2011, £9,775 (2010 £Nil) was owed by Durham County Council, in relation to the services described above

### 14 Immediate parent company and controlling party

As at 31 December 2011, 80% of the share capital of the company was held by inspiredspaces Durham (PSP1) Limited, 10% by Durham County Council and 10% by Building Schools for the Future Investments LLP. Under the terms of a shareholders' agreement, no individual shareholder is able to control or exert significant influence over the company and therefore, in the directors' opinion, there is no ultimate controlling party